



**DIA and DOS review(s) completed.**

1 MAY 1948

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GENERAL

1. Caffery's opinions on French air base negotiations--Caffery has transmitted his opinions regarding negotiations with the French for US air base rights in French territory. He recommends (a) postponing discussions until after the 2 June elections, lest the "Communists and other elements" exploit this issue in the campaign; and (b) limiting discussions to interim proposals based on occupational needs in Germany, omitting long term proposals at this time.
  
2. New Hungarian tactic in Czech border problem--Minister Schoenfeld reports that the Hungarian Government has (a) refused the Czech proposal to transfer to Hungary an additional 200,000 Hungarians [redacted] and (b) counterproposed that Czechoslovakia assure constitutional political freedom and rights to Hungarians remaining in Czechoslovakia after the exchange now being effected. An Hungarian Foreign Office official states that, despite Molotov's recent request that Czechoslovakia and Hungary settle their differences bilaterally, the Hungarian Government has made a proposal unacceptable to the Czechs in order to (a) prove the impossibility of bilateral settlement and (b) force either "three-power" or Security Council consideration of the question.
  
3. Rumania is unwilling to commence negotiations with Hungary on the Transylvania border question, according to a "reliable" report received by Minister Schoenfeld in Budapest. (Molotov recently urged Hungary to take the initiative in opening negotiations with Rumania; [redacted])
  
4. Naval units to visit China ports--The Navy Department reports that two aircraft carriers--the BOXER and ANTIETAM--, one division of cruisers and two divisions of destroyers departed from Guam on 26 April for training exercises and visits to China ports.
  
5. Negotiations initiated for Azores air base agreement--Following a preliminary discussion with Salazar, Ambassador Baruch reports that the Prime Minister (a) is prepared to enter "with an open mind" the negotiations for US and British air rights in the Azores, and (b) will invite detailed explanation of the US proposals by US representatives Culbertson and General Kuter. Culbertson believes that the Portuguese may (a) oppose a "public" treaty, (b) raise the question of troops in uniform,

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and (c) request participation in the final Pacific "adjustments."

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6. Siam expected to accept new British terms for its rice--Ambassador Harriman reports that the British have set new financial terms on which Siam is to sell its rice to needy countries [redacted]

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[redacted] It is expected that the terms will be immediately acceptable to Siam.

EUROPE-AFRICA

7. ITALY: King may stay unless entry to Egypt allowed--Embassy Rome reports that, according to the Lt. General of the Realm, King Emmanuel (a) desires for "financial reasons" to live in Egypt after abdicating and (b) might not abdicate if he were denied permission to live there. British and US officials in Italy consider that his abdication at the earliest possible date is in the interest of public order and recommend that British opposition to residence in Egypt be withdrawn. The Lt. General also has declared that (a) he would not remain in Italy if the referendum were unfavorable to the Monarchy, but (b) would not live in the same country as his father.

8. CZECHOSLOVAKIA: Soviets promise pre-election wheat deliveries-- Ambassador Steinhardt has learned [redacted] that the Soviets have promised the Czechoslovak Government to deliver 30,000 tons of wheat by 15 May. Steinhardt points out that (a) UNRRA deliveries of bread grains have totalled only 12,000 tons during the past six weeks, (b) the Soviet promise is clearly designed to strengthen the Communist Party in the 26 May elections, and (c) the arrival of the Soviet wheat will be widely publicized by the Communist-dominated Czech Information Ministry in order to minimize UNRRA aid to Czechoslovakia.

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10. ICELAND: Premier defers discussion of new US proposals--On 26 April Charge Carlson informed the Icelandic Premier that he had a confidential letter for the Premier setting forth an entirely new basis for negotiations on US bases in Iceland. The Premier showed great reluctance to receive the letter while the Icelandic Parliament was in session unless the US would consent to "an immediate press release covering the new aspect of the matter." On the following day the Premier indicated to Carlson that he would greatly appreciate postponement of the delivery of the letter until his return from the Paris Conference of Foreign Ministers.

On 30 April, Carlson, on State Department instructions, again offered to present the letter. The Premier, although cordial, replied that he could "in no event" consider negotiations based on any new proposals before the general elections of 30 June [redacted]

[redacted] and that consequently he saw "no occasion for haste" in presenting the letter now. Carlson made no further attempt to present the letter.

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#### FAR EAST

11. JAPAN: Atcheson concerned by FEC limitations on SCAP--General MacArthur's Political Advisor, George Atcheson, has expressed concern to the State Department over the wording of the Far Eastern Commission's statement of 25 April regarding food supplies for the Japanese. In this statement the Commission declared that no food imports should be permitted the Japanese which will have the effect of giving to the Japanese a priority over the requirements of any Allied Power or liberated area "except to the extent that the Supreme Commander for the Allied Powers, with the advice of the Allied Council for Japan, determines."

Atcheson notes that this reference to the Council would seem to imply granting of a controlling voice to the Council in the matter of food supplies and consequent limitation upon the authority of the Supreme Commander alone to determine measures necessary for the safety of the occupation forces. In Atcheson's opinion, however, the Council's powers can only be changed by unanimous agreement on a governmental level among the four powers who participated in the Moscow Conference.

If the policy statement is permitted to stand with US concurrence, Atcheson believes that (a) it will provide a wedge to divide the administrative responsibility of the Supreme Commander, and (b) such a division would undermine the occupation, harm US interests, and in the end nullify the announced objectives of the Allies in Japan.

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